

Economic Development and Transportation

PROBLEM STATEMENT

Though Washington State as a whole has experienced robust economic growth in recent decades, not all regions of the state have shared equally in that prosperity.

Some believe that, by improving transportation systems in these economically lagging areas, the state can spur economic growth. Moreover, many argue that because the state is important as a freight link to the rest of the world, congestion in a variety of regions poses a threat to the economic well-being of the entire state.

Best practices in transportation planning call for analyzing the costs and benefits of each potential investment and then funding only those projects that promise the greatest transportation benefits. Some argue, however, that these practices do a poor job of taking economic-development benefits into account. These advocates argue that investments in transportation infrastructure can generate far-reaching economic benefits, and that traditional cost-benefit analysis gives insufficient weight to these benefits.

PROPOSED SOLUTION

To ensure adequate funding for projects with large economic impacts, some suggest including an economic-development criterion as part of the transportation investment selection process. Such a criterion would boost the rankings of projects that would increase freight mobility or potentially benefit economically lagging areas.

There are arguments on both sides of the issue of using economic-development criteria in setting investment priorities:

Arguments in favor

Arguments in favor of using economic development criteria include:

- **Transportation investments *can* lead to economic growth** — If a region has other necessary components to economic growth (labor force, access to materials and markets), a transportation investment can allow more complete utilization of resources and contribute to growth.
- **Road construction projects themselves generate employment and income** — in areas of high unemployment, road construction offers short-term employment opportunities.
- **Favoring transportation investments in economically lagging areas helps reduce regional inequities** — it is state policy to encourage the economic development of economically distressed areas. Transportation investments may further that goal.

Arguments against

Arguments against using economic development criteria include:

- **In a mature transportation system, additional investments have little effect on economic performance** — a series of exhaustive studies has found that, in the mature

transportation system of the United States, investments in public infrastructure have only very small effects on economic growth. Proper maintenance and relatively minor improvements are likely to be more cost-effective.

- **Including an economic-development criterion will result in lower transportation benefits per dollar of public investment** — Economists view indirect economic impacts of investments as transfers between areas rather than real gains for the region as a whole, so adding an economic-development criterion to the evaluation often means counting some benefits twice. Such a consideration would effectively re-rank the list of projects, moving some projects with more transportation benefits further down the list.

EVALUATION

The proposed solution to the issue of economic development will be evaluated against the following criteria:

- fixes the most critical problems first
- is cost effective
- produces measurable change
- is acceptable to the public
- is administratively feasible
- maintains or enhances safety.